

We are continuing to talk with people about ways to, frankly, improve this bill. There will be some amendments adopted today that will do this. It is a subject of great complexity with a lot of interlocking parts and some legitimate competing interests. We have arrived today, we think, at a reasonable balance. We do not believe that this is the way the bill absolutely will look in the end, but it is clear progress. And I want to stress the key point here is not in remedying past abuses. This bill allows all existing remedies for past abuses to stay in effect. This bill tries hard to prevent this pattern of loans being made that should not have been made for a variety of reasons from recurring and causing that great damage.

Mr. Chairman, I reserve the balance of my time.

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Mr. BACHUS. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I rise in support of this legislation. I believe that it does, in fact, address abusive practices which, unfortunately, are in our mortgage lending market today. I believe it brings some needed oversight to the mortgage industry.

The legislation that we are considering today is the product, and everyone acknowledges this, industry acknowledges it, consumer groups, Members on both sides, the membership has engaged for over 2 years in an attempt to come together to span political differences, philosophical differences, and to address the very serious problem in the housing finance market.

I want to commend the gentleman from Massachusetts. He has allowed us to fully express our opinions. I believe that this long dialogue which we have had has resulted in consensus legislation which, though not perfect, I believe will achieve two very important, very necessary goals. One is to implement reforms that will offer consumers needed protection against predatory lending practices; and two, I believe, and I sincerely believe, that this legislation will preserve working Americans' access to consumer credit.

I believe that the Members most closely involved in the negotiations which led to the manager's amendment sincerely believe we have achieved these goals. We need not let the perfect be an enemy to the good. Members from both sides will address provisions of this bill which they believe do not satisfy the goal I have described above.

I believe the fact that this legislation fully satisfies neither side is an indication that we are in about the right place in achieving a nonpolitical, legislative remedy to address this issue of such great impact to our economy and our families, both now and moving forward.

In closing, let me say it has always been my view that when faced with serious issues like this one impacting millions of families across America,

that Congress has both the privilege and the responsibility of rising above partisanship and acting in the public's interest. With this legislation today, I believe we have done just that.

Mr. Chairman, I reserve the balance of my time.

Mr. FRANK of Massachusetts. Mr. Chairman, I am very pleased to be able to yield to a member of the committee, who is not only one of the authors of this amendment, but has been a real source of strength to us in dealing with these issues throughout.

I yield the gentleman from North Carolina (Mr. WATT) 4½ minutes.

Mr. WATT. Mr. Chairman, I thank the chairman of the full committee for yielding time, and I thank the ranking member of the full committee who has worked with us and recognized that there is a serious problem that is going on in the real estate area, in the lending area, that must be addressed, and I want to applaud the efforts of the chairman for trying to address this issue in a comprehensive and fair way. And perhaps the greatest testament to the chair of our committee is that we have come up with a bill that perhaps not any single person I know is completely happy with, including me.

This bill started 4 years ago with an initiative by Congressman MILLER from North Carolina and myself, and this was in advance of the escalating foreclosures, the kind of irrational exuberance that was taking place in the real estate market. We saw that this was coming down the road because lending was becoming more available, but it was also becoming more irresponsible because it was viewed as a no-lose proposition. So lenders were making riskier and riskier loans to people who had more and more marginal credit and on terms that were not beneficial to the borrower but were financially beneficial, at least until the foreclosures started, to the lenders.

So the predatory lending part of this bill, which is title III, started out as the base bill to address those concerns that were taking place that were predatory practices, taking advantage of vulnerable borrowers so that lenders could make money. Then the onset of the foreclosures started, and the crisis in the marketplace in general reflected itself, and that has resulted in the addition of titles I and II of this bill, which put a framework around brokers, which creates a framework for responsible secondary market participation around lenders who dealt in prime loans.

Interestingly enough, over time, it is actually titles I and II that have become more controversial than title III, which was the predatory lending part of the bill. We think that the predatory lending part of the bill certainly has struck the best balance, because it is clear that with predatory loans there will be a national standard, but we are not preempting State laws and the States' ability to continue to innovate.

In titles I and II, where we have created a framework for the secondary

market, we have preempted some State laws, and we have had trouble finding the right language to do that. We want to do it to create a national secondary market, but we don't want to do it outside the specific requirements that are needed to control the secondary market and make credit available. So there is some angst among a number of us about the preemption language.

As I said at the beginning, maybe the best tribute to all of us is that we have a bill that nobody really is completely comfortable with, and all we can say to all of those people is that we will continue to work on this bill not only after it passes the House today, but throughout the process to reach the more delicate balance and a satisfactory balance that at the end of the day will solve the problems in the marketplace and be satisfactory to all concerned.

Mr. BACHUS. Mr. Chairman, I recognize the gentleman from California (Mr. ROYCE) for 3 minutes to speak in opposition to the bill.

Mr. ROYCE. I thank the gentleman.

I do rise in opposition to this bill and to explain a line of reasoning that the Wall Street Journal and other critics have pointed out on their editorial pages. This proposal, in fact, is a trial lawyer's dream. What this bill does is it, with very murky language, forbids banks for signing up borrowers for what is termed "overly expensive loans." It requires banks to make sure that the consumer has a "reasonable ability to repay the loan" and insist that loans must be "solely in the best interest of the consumer." This kind of murky language would invite litigation from every borrower who misses a payment. The Wall Street Journal says that if this bill becomes law, we can expect to read billboards reading, "Behind on your mortgage? For relief, call 1-800 Sue-Your-Banker."

For the first time, under this act, banks that securitize mortgages would be made explicitly liable for violations of lending laws. This is a version of secondary liability that holds the bundlers and resellers of mortgages responsible for any mistakes of the original lenders. Now, the reselling of mortgages has been both a boon to the housing liquidity and risk diversification and, therefore, to lower interest rates for all of us that have taken out a loan. So to the extent that the bill adds a new risk element to securitizing subprime loans, and it surely will, the main loser will be the subprime borrower who will pay higher rates if he or she can get a loan at all.

Now, this debate is occurring during a challenging period for our mortgage market. What has transpired over the last few months has spread throughout our capital markets. It has the potential to slow the economy even further if we do this wrong. This bill is the wrong approach.

Now, we have had some signs of self-correction in the mortgage market. Lenders are underwriting mortgages